

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2005



## TABLE OF CONTENTS

Officials		<u>Page</u> 2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-17
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	19
Statement of Activities	B	20-23
Governmental Fund Financial Statements:		
Balance Sheet	C	24
Reconciliation of the Balance Sheet -		
Governmental Funds to the Statement of Net Assets	D	25
Statement of Revenues, Expenditures and Changes in Fund Balances	E	26
Reconciliation of the Statement of Revenues, Expenditures And Changes		
in Fund Balances - Governmental Funds To the Statement of Activities	F	27
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	28
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	29
Statement of Cash Flows	I	30
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	31
Statement of Changes in Fiduciary Net Assets	K	32
Component Unit Financial Statements:		
Statement of Net Assets	L	33
Statement of Revenues, Expenses and Changes in Net Assets	M	34
Notes to Financial Statements		35-45
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in		
Balances - Budget and Actual (Cash Basis) - All Governmental Funds		
and Proprietary Funds		48-49
Notes to Required Supplementary Information - Budgetary Reporting		50
Budgetary Comparison Schedule - Budget to GAAP Reconciliation		51
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	53
Combining Schedule of Revenues, Expenditures and		
Changes in Fund Balances	2	54
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	55-56
Proprietary Funds:		
Combining Statement of Net Assets	4	57
Combining Statement of Revenues, Expenses and Changes		
in Net Assets	5	58
Combining Statement of Cash Flows	6	59
Agency Fund:		
Schedule of Changes in Fiduciary Assets and Liabilities	7	60
Schedule of Revenues by Source and Expenditures by Function -		
All Governmental Funds	8	61
Independent Auditor's Report on Internal Control over Financial Reporting		
and on Compliance and Other Matters Based on an Audit of Financial		
Statements Performed in Accordance with Government Auditing Standards		63-64
Schedule of Findings		65-67

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

**Board of Education**  
(Before September, 2004 Election)

Patricia Wright	President	2006
Stephen Moline	Vice President	2005
Timothy Hommer	Board Member	2004
John Jennett	Board Member	2004
Leann Goldsmith	Board Member	2005
Douglas Rothfus	Board Member	2005
William Knoll	Board Member	2006

**Board of Education**  
(After September, 2004 Election)

Patricia Wright	President	2006
Stephen Moline	Vice President	2005
Leann Goldsmith	Board Member	2005
Douglas Rothfus	Board Member	2005
William Knoll	Board Member	2006
Dave Eilers	Board Member	2007
John Jennett	Board Member	2007

**School Officials**

Gary Sinclair	Superintendent	2005
Michelle Wearmouth	District Secretary/Treasurer and Business Manager	2005
Ralph Brown	Attorney	Indefinite
Ahler's Law Firm	Attorney	Indefinite



### Independent Auditor's Report

To the Board of Education  
Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District, Dallas Center-Grimes, Iowa, and its aggregate discretely presented component units, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dallas Center-Grimes Community School District and its aggregate discretely presented component units at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2005 on our consideration of Dallas Center-Grimes Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 17 and 48 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dallas Center-Grimes Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen & Associates, P.C.*

Van Maanen & Associates, P.C.  
Certified Public Accountants

September 13, 2005

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The Dallas Center-Grimes Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This is the second year since implementing new reporting standards with significant changes in content and structure, and some of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations. In many summary sections, management has added references to financial data and situations of some previous years to assist with understanding data since the FY 2004 transition year.

### Financial Highlights

- ◆ General Fund revenues increased from \$10,819,281 in fiscal 2004 to \$11,259,726, while General Fund expenditures increased from \$10,374,700 in fiscal 2004 to \$11,163,336 in fiscal 2005. This resulted in an increase of \$96,390 in the District's General Fund balance from \$1,513,679 in fiscal 2004 to \$1,610,069 in fiscal 2005.
- ◆ The increase in General Fund revenues was primarily attributable to an increase in property tax collected of \$55,132, an increase in open enrollment received from other school districts of \$62,815, and increase in interest received of \$52,504, and increased receipts of state aid and instructional support of \$265,380 attributable to increased student count and allowable growth and the new teacher quality/mentoring programs.
- ◆ The increase in General Fund expenditures was primarily attributable to an increase in the negotiated salary and benefits. There were teaching and non-teaching positions added due to increase student count which also affect the salary and benefit expenditures. Evidence of cuts in the supply budget due to a mid-year across-the-board budget reduction in state aid during fiscal 2003 can be seen in the increase of supplies purchased from \$102,489 in FY05.
- ◆ A decline in interest rates during the past three fiscal years has resulted in a decline in interest received annually despite a growing fund balance to be invested. However, as the general fund balance continues to grow, more interest earnings are seen. Interest received in the general fund for the past four years is: \$100,379 in FY02, \$80,753 in FY03, \$48,734 in FY04, and \$103,238 in FY05.

## Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- ◆ The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- ◆ The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this report are arranged and relate to one another.

**Figure A-1**  
**Dallas Center-Grimes Community School District Annual Financial Report**

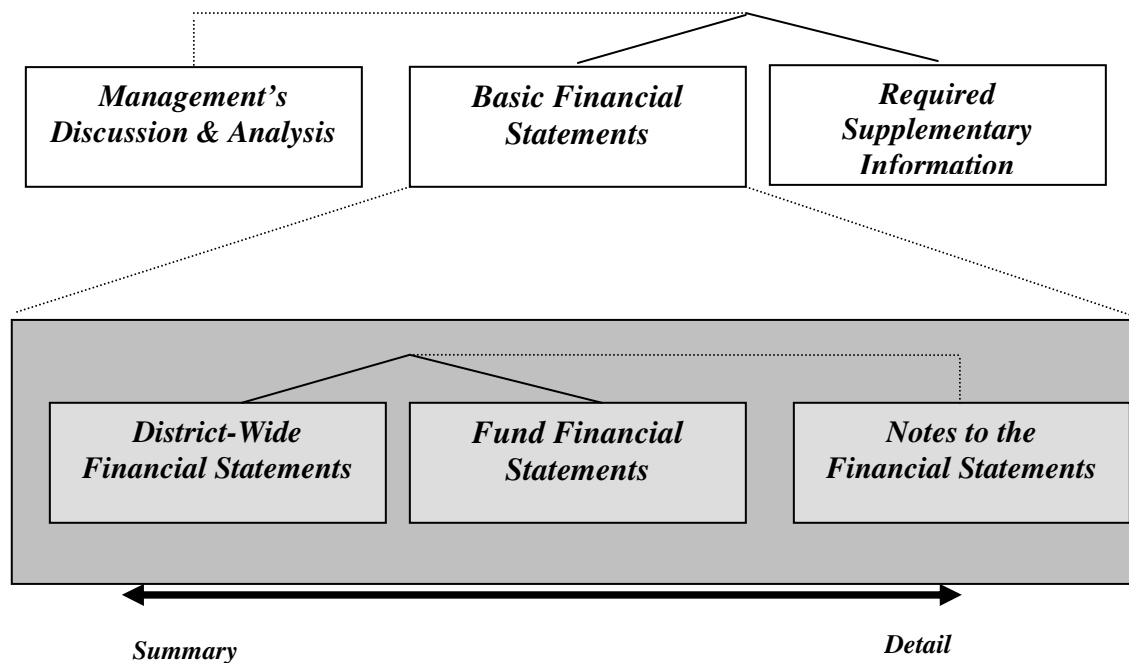




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Schoolhouse, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Farm Enterprise Account	Burnett Scholarship, Brewer Scholarship, Anderson Scholarship

## District-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

Review of DC-G Property Tax Valuations by Year			
Year	Taxable Valuation without TIF	Increase over previous year	Percent of increase
FY2001	\$ 270,537,874	34,145,130	12.62%
FY2002	337,471,923	66,934,049	19.83%
FY2003	354,464,375	16,992,452	4.79%
FY2004	361,420,196	6,955,821	1.96%
FY2005	383,341,568	21,921,372	6.07%

Dallas Center – Grimes Facilities – Age	
Dallas Center – Grimes Elementary, Grimes	Opened 8-1-1988
Dallas Center – Grimes Elementary, Dallas Center	Opened 1-1-2002
Dallas Center – Grimes Middle School, Dallas Center	Opened 8-1-2004
Dallas Center – Grimes High School, Grimes	Opened 8-1-2002
Dallas Center –Grimes Auditorium Addition, Grimes	Opened 9-1-2005

In the District-wide financial statements, the District's activities are divided into two categories:

- ♦ *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ♦ *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- ♦ Some funds are required by state law and by bond covenants.
- ♦ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- ◆ Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Funds, and Special Revenue funds such as the Student Activity fund, Management fund, PPEL fund, and Schoolhouse fund.
- ◆ Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District's enterprise funds include the School Nutrition Fund and the Farm Enterprise Fund.
- ◆ Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-purpose Trust and Agency funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. There are currently three scholarship trust funds: Burnett Scholarship, Brewer Scholarship, and Anderson Scholarship funds.
  - Agency Fund- These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases. The District has only one Agency fund which holds employee funds contributed by employees through payroll for use in the Medical and Dependent Care Flexible Spending Program. The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

**Net assets** – Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to 2004.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 12,298	14,082	93	109	12,391	14,191	-12.7%
Capital assets	28,860	25,772	256	185	29,116	25,957	12.2%
Total assets	41,158	39,854	349	294	41,507	40,148	3.4%
Long-term liabilities	22,511	19,686	-	-	22,511	19,686	14.4%
Other liabilities	7,322	10,030	6	42	7,328	10,072	-27.2%
Total liabilities	29,833	29,716	6	42	29,839	29,758	0.3%
Net assets:							
Invested in capital assets, net of related debt	9,334	8,292	256	185	9,590	8,477	13.1%
Restricted	515	509	-	-	515	509	1.2%
Unrestricted	1,476	1,337	87	67	1,563	1,404	11.3%
Total net assets	\$ 11,325	10,138	343	252	11,668	10,390	12.3%

The increase in capital assets in the governmental funds occurred in conjunction with the decrease in current or other assets as a result of expenditures of construction funds for the new middle school. Long-term liabilities decreased as a result of principal payments reducing bond liabilities.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>						
	Governmental Activities		Business Type Activities		Total District	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service	\$ 1,012	813	519	479	1,531	1,292
Operating grants, contributions and restricted interest	1,039	1,003	133	132	1,172	1,135
General revenues:						
Property tax	6,397	6,195	-	-	6,397	6,195
Local option sales and service tax	1,361	1,057	-	-	1,361	1,057
Unrestricted state grants	4,919	4,681	-	-	4,919	4,681
Unrestricted investment earnings	252	131	1	-	253	131
Other	142	141	-	-	142	141
Total revenues	15,122	14,021	653	611	15,775	14,632
Program expenses:						
Governmental activities:						
Instruction	7,896	7,186	-	-	7,896	7,186
Support services	4,276	3,693	-	-	4,276	3,693
Non-instructional programs	-	-	667	630	667	630
Other expenses	1,763	1,972	-	-	1,763	1,972
Total expenses	13,935	12,851	667	630	14,602	13,481
Other financing sources, net	-	-	105	-	105	-
Change in net assets	\$ 1,187	1,170	91	(19)	1,278	1,151

Property tax, sales and service tax, and unrestricted state grants account for 84% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$15,122,371 and expenses were \$13,935,574. In the previous budget year there was a mid-year 2.5% cut in state funding, the District was able to balance the budget by trimming expenses in supply and equipment budgets. Some increased fiscal year 2005 expenditures in the supply and equipment area reflect the previous year's delayed spending.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,896	6,271
Support services	4,276	4,264
Other expenses	1,763	1,350
Totals	\$ 13,935	11,885

- The cost financed by users of the District's programs was \$1,012,073.
- Federal and state government subsidized certain programs with grants and contributions totaling \$1,038,408
- The net cost of governmental activities was financed with \$7,758,249 in property and other taxes and \$4,919,017 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$653,832 and expenses were \$667,237. The District's business type activities include the School Nutrition Fund and Farm Enterprise Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2005, the District did not increase meal prices per elementary meal or per secondary level meal. The District continues to contract food services with Taher, Incorporated of Minnesota.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Dallas Center-Grimes Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its government funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,020,366. The previous year, governmental funds reported a combined fund balance of \$4,168,783 which included unexpended construction funds for the middle school project which was nearing completion.

### **Governmental Fund Highlights**

- The District general fund balance increased in FY05. The general fund undesignated, unreserved fund balance increased from \$1,513,679 at the end of FY04 to \$1,610,069 at the close of FY05. This change reflects the District's interest in maintaining the current level of unreserved fund balance. The District's targeted financial solvency rate is 10-15%. The solvency ratio was 14.2%.
- Dallas Center-Grimes has experienced enrollment growth, which has allowed for additional dollars to fund programs. This has allowed some of the increased cost to be covered by new funds.
- Over the past five years the net impact of open enrollment has been very positive for Dallas Center-Grimes. There is net \$155,717 more available for funding programs within our district.
- In 2001-02, Dallas Center-Grimes implemented an instructional levy. In 2001-02, the instructional levy was 3%, in 2002-03 it was 7%, and since 2003-04 this levy has been at the maximum 10%. Prior to 2004-05, the District elected not to commit all the instructional levy dollars to spending in the same year. However, in the 2004-05 fiscal year, the full instructional support levy amount was committed to current year spending. This is an additional factor contributing to prior year's growth in fund balance.
- The District has implemented an extensive at-risk program, now at the maximum funding level. This has provided funding for some of the additional staff needed in the District, and has allowed the regular operating budget to absorb other increases.
- The District's administrative team and school board closely monitor monthly revenue and expenditures. The board has intentionally decided not to commit funds beyond a certain level which helps maintain a relatively constant fund balance.
- The Physical Plant and Equipment Levy (PEEL) fund balance increased from \$215,334 at the end of FY04 to \$226,188 at the end of FY05. These funds are planned for use in FY06 for a complete renovation of a storage building converted to a bus barn, additional school bus purchases, and meeting the increased operational maintenance associated with additional facilities.

- The Schoolhouse 67.5 cent fund balance decreased from \$17,691 at the end of FY04 to \$0 at the end of FY05. This levy expired in FY03 and the fund balance was expended on building maintenance projects. Most of fiscal year 2005 spending was used to supplement auditorium construction.
- The Capital Projects funds increased from \$2,144,487 at the close of FY04 to \$2,873,821 at the close of FY05. These funds were expended on construction completion at the high school, phase two of the Sports Complex construction project, and construction/renovation of the middle school. There was also Capital Projects revenue and expenditures during the year for the auditorium addition.
- The Management fund balance increased from \$171,859 to \$195,439. The District continues to rebuild the fund balance of the management fund which was depleted in FY00 when no funds were levied and the fund balance was diminished. The fund balance is held in reserve in part due to high deductible option selected with our worker's compensation insurance.

### Proprietary Fund Highlights

School Nutrition cash/investments and inventories decreased from \$92,437 at June 30, 2004 to \$81,813 at June 30, 2005. The Farm account cash/investments decreased from \$17,224 at the close of FY04 to \$11,516 at the close of FY05.

### BUDGETARY HIGHLIGHTS

Over the course of the year, Dallas Center – Grimes Community School District adhered to its published budget. A budget amendment was filed which adjusted the published \$7,455,551 in the instructional area to \$8,055,551. This amendment was filed in anticipation of approval of an application filed with the School Budget Review Committee to allow the District to convert to GAAP basis at the close of FY05. The SBRC tabled the request at their May 2005 meeting, and the District did not convert to a GAAP basis of accounting in FY2005. This issue will be revisited by the SBRC in September 2005.

The District's receipts were \$3,955,024 more than budgeted receipts, a variance of approximately the auditorium bond issue. Bond revenues were anticipated in FY2004, but arrived in July 2004.

Total expenditures were under published projections. It is the District's practice to budget expenditures at a maximum authorized spending authority for funds, yet to manage and control the spending through the line-item budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2005, the District had invested \$29.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 12% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$787,512.

Figure A-6							
Capital Assets, net of Depreciation (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 1,462	1,452	-	-	1,462	1,452	0.7%
Construction in progress	2,285	5,887	-	-	2,285	5,887	
Buildings	24,145	17,628	-	-	24,145	17,628	37.0%
Improvements other than buildings	300	326	-	-	300	326	-8.0%
Furniture and equipment	668	479	256	185	924	664	39.2%
Totals	\$ 28,860	25,772	256	185	29,116	25,957	12.2%

The greatest activity in capital assets occurred in the construction in progress category. The District's construction in progress totaled \$5,887,452 at June 30, 2004 and totaled \$2,284,980 at June 30, 2005. Significant increases can be seen in the Buildings and Furniture and Equipment categories with the completion of the Middle School Construction project. The sports complex project funded with local option sales and service tax dollars. The high school auditorium addition construction project was funded by a general obligation bond in the amount of \$3,000,000. Both projects were in process at year end. Construction on the sport complex will continue in FY06 with phases three and four.

### Long Term Debt

At June 30, 2005, the District has \$22,510,655 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 14.4% over last year (see Figure A-7). Additional information about the District's long-term debt is presented in Note 6 of the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
General obligation bonds	\$ 19,380	16,090	20.4%
Revenue bonds	3,020	3,535	-14.6%
Early retirement	111	61	82.0%
Totals	<u>\$ 22,511</u>	<u>19,686</u>	<u>14.4%</u>

On March 30, 2004, the District's voters authorized the issuance of \$3,000,000 in general obligation bonds to pay for construction and furnishing an auditorium addition to the high school building. Funds were received in July 2004. The following reviews recent bonding and construction:



October 19, 1999	Bond issue 9.75 million for purchase of Rhinehart land, purchase of Meadows land & build/furnish high school on Meadows land 1.26 million bond sold to begin construction and make land purchases	(Levy A only) Pass Levy B - Fail
November 23, 1999	Passage of the Polk County Local Option Sales Tax Revenue bond 4.9 million for the construction of DC elementary sold on October 17, 2000	Pass
December 7, 1999	Levy B raising funds to levy at the \$4.05 mark for the \$9.75 million dollar bond issue. 9.985 GO bond sold which was remaining dollars authorized Oct. 19, 1999 and refinance Grimes elementary bond	Pass
July 16, 2002	Bond issue \$6.4 million for construction, renovation, and furnishing a new middle school in Dallas Center	Pass
March 25, 2003	Passage of the Dallas County Local Option Sales Tax Primarily used for Sports Complex construction	Pass
March 19, 2004	Began Phase One of Sports Complex project funded with Local Option Sales and Service dollars. Phase one completed October 18, 2004. Phase two to be completed October 2005.	
March 30, 2004	Bond issue 3.0 million for construction and furnishing of auditorium addition to the high school. Expected completion October 2005.	Pass

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which may affect financial health in the future:

- The District continues to experience enrollment growth. According to most recent data, the District's population is currently estimated at 7,080 which is approximately 6% growth over the 2000 census, and over 70% growth since the 1990 census.
- Unemployment for the area is lower than state average by more than 1%. New businesses continue to locate within the District. Pioneer Hybrid which has moved its gene research lab to Dallas Center. Several businesses have located on the Highway 141 corridor.
- Along with growth, transportation needs to bring students to school locations continues to grow. The District in the past has purchased one new bus per year but will need to increase these purchases.
- The District plans to update a small maintenance building to be used as a bus repair shop which will handle repair issues. Completion of these upgrades is expected in October 2005. With a growing fleet, there is an increased need of a central location to perform maintenance. Although not a large enough facility to be used for fleet storage or major repair, this is the best option for the District at the current time.
- In prior years, the facility planned for FY06 renovation has been used for central storage and warehousing. In the future, the District will need to seek a facility for central warehousing, and a larger facility for bus storage. It may be feasible to combine these two needs into one facility.
- Fiscal 2005 is the first year of a two-year contract with the Dallas Center-Grimes Education Association. The District will negotiate a new agreement during FY2006-07.
- For the District's most recent bond, the bond rating was issued by Moody's Investing Service for the second time. The rating is A3.
- Over the past seven years, the District net open enrollment in and out number has improved dramatically. The District will need to be careful of funding ongoing expenditures with funds a variable as open enrollment. The District needs to continue to foster open enrollment to the extent that facilities allow.

- In the January 1, 2004 assessment of District taxable valuation, agricultural land fell by over 30%. This decrease, and the several years it will take to build back to where taxable agricultural land was previously, will have an impact on the District's bonding capacity and debt service rate.
- In the January 1, 2005 assessment of District taxable valuation, property values increased by total valuation increased a moderate 6%. Although the District has seen valuation increases of greater than 14% in past years, a moderate amount is being used to plan for growth when projecting ability to bond in the future.
- Area cities continue to discuss and use TIF and abatement as means of supporting development. All TIF, but especially residential TIF will have a negative impact on property tax rate. The District must continue to monitor and oppose TIFs that negatively impact the District.
- In the Grimes area, 4-5 large housing developments continue to progress. The number of houses that are built annually will impact the District's general fund and need for additional facilities. The recent rate of growth will allow for a manageable transition to additional facilities, but accelerated rates of growth will greatly stress current facilities.
- To the south of the Grimes area, CSI construction management has reviewed the current construction of a \$300 million dollar business park within the school district boundaries. This development will significantly increase property valuation, and will be the workplace of nearly one-thousand employees. This development may have an impact upon the enrollment of the District.
- The District currently has a LOSST from Dallas and Polk Counties. How these two sales tax sources blend, depending on the impact one has on the other, will impact LOSST dollars available for facility needs.
- The District is about one-half of the way through the Polk County ten-year LOSST. This support has been valuable to the District. The continuation of this tax will be critical to the District. It is important to note that the passage of a new Polk County Local Option Sales Tax is unlikely. The District will attempt to work with other Iowa school districts across the state to support legislation to support a state-wide local option sales tax.
- Two years ago the District's schoolhouse levy came to an end. To allow for property tax rates to be maintained at \$17.50 per thousand a voted PPEL was not added, and deemed not necessary. The District will need to consider a balance between funds for facility maintenance and funds for new buildings and additions. Although current facilities are in great condition, there will be an increasing need for annual facility maintenance funds. The Board of Education plans to review the need for a voted PPEL levy with the public during the upcoming year.
- The District will need to monitor facility and maintenance funding with a combination of bonded indebtedness, local option sales tax, and voted PPEL funds. Current projections of local option sales tax revenue would be able to meet the needs of facility upkeep for the next five to six years, but would leave no additional funds for building additions or new buildings.
- The rapid addition of facilities has been fostered by significant residential and residential taxable valuation growth. A decrease in this rate of growth will likely have an impact on the District property tax rate. Although District enrollment growth has been manageable, rates of growth similar to other area districts will result in a significant impact upon facilities and in the property tax rate.
- With the current rate of enrollment growth, construction for a new elementary facility must begin within the next 12 to 18 months.
- Recent discussions and projections of housing developments in Dallas Center may help to reverse the trend of declining enrollment in the Dallas County portion of the District.
- Ongoing discussions of revisions to Highway 44, Highway 141, and the construction of a north/south bypass and/or an east/west bypass will impact the commercial and residential growth of Grimes.
- The increase in organized efforts by the Grimes Economic Development Board may have a positive impact on district valuation and tax rates.

- Energy costs continue to be an increasing portion of the District's budget. As energy costs increase, these costs will have to be covered by new funding, or by reprioritization of the current funding.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Michelle Wearmouth, Business Manager at Dallas Center-Grimes Community School District, P.O. Box 512, Dallas Center, Iowa 50063.

## **Basic Financial Statements**

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2005

	Governmental Activities	Business type Activities	Total	Component Units
<b>Assets</b>				
Cash and cash equivalents				
Other	\$ 4,923,808	77,958	5,001,766	100,401
Bond reserve	490,000	-	490,000	-
Receivables:				
Property tax:				
Delinquent	46,246	-	46,246	-
Succeeding year	5,776,135	-	5,776,135	-
Accounts	10,771	-	10,771	-
Accrued interest	7,671	62	7,733	-
Due from other governments	147,995	-	147,995	-
Inventories	-	15,309	15,309	-
Deferred bond costs	895,000	-	895,000	-
Capital assets, net of accumulated depreciation (note 4)	28,859,742	256,039	29,115,781	-
<b>Total assets</b>	<b>41,157,368</b>	<b>349,368</b>	<b>41,506,736</b>	<b>100,401</b>
<b>Liabilities</b>				
Accounts payable	286,595	6,485	293,080	-
Salaries and benefits payable	1,168,195	-	1,168,195	-
Accrued interest payable	91,231	-	91,231	-
Deferred revenue:				
Succeeding year property tax	5,776,135	-	5,776,135	-
Long-term liabilities (note 5):				
Portion due within one year:				
General obligation bonds payable	930,000	-	930,000	-
Revenue bonds payable	545,000	-	545,000	-
Early retirement	46,335	-	46,335	-
Portion due after one year:				
General obligation bonds payable	18,450,000	-	18,450,000	-
Revenue bonds payable	2,475,000	-	2,475,000	-
Early retirement	64,320	-	64,320	-
<b>Total liabilities</b>	<b>29,832,811</b>	<b>6,485</b>	<b>29,839,296</b>	<b>-</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	9,333,563	256,039	9,589,602	-
Restricted for:				
Management levy	195,439	-	195,439	-
Physical plant and equipment levy	226,188	-	226,188	-
Other special revenue purposes	93,166	-	93,166	-
Unrestricted	1,476,201	86,844	1,563,045	100,401
<b>Total net assets</b>	<b>\$ 11,324,557</b>	<b>342,883</b>	<b>11,667,440</b>	<b>100,401</b>

See notes to financial statements.

## Exhibit B

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 5,149,079	584,052	361,215
Special instruction	1,796,078	105,870	244,093
Other instruction	951,140	322,151	7,680
	<u>7,896,297</u>	<u>1,012,073</u>	<u>612,988</u>
Support Service:			
Student services	277,766	-	-
Instructional staff services	747,816	-	-
Administration services	1,087,938	-	-
Operating and maintenance of plant services	1,452,750	-	-
Transportation services	709,832	-	12,692
Central support	-	-	-
	<u>4,276,102</u>	<u>-</u>	<u>12,692</u>
Other expenditures:			
Facilities acquisition	283,548	-	-
Long-term debt interest	1,066,899	-	-
AEA flowthrough	412,728	-	412,728
	<u>1,763,175</u>	<u>-</u>	<u>412,728</u>
Total governmental activities	13,935,574	1,012,073	1,038,408
Business type activities:			
Non-instructional programs:			
Nutrition services	656,629	514,535	133,157
Farm account	10,608	4,900	-
	<u>667,237</u>	<u>519,435</u>	<u>133,157</u>
Total primary government	<u>\$ 14,602,811</u>	<u>1,531,508</u>	<u>1,171,565</u>
Component Units:			
Program expense	\$ 109,750	-	34,857
Management and general expense	823	-	-
Fund raising expense	121,389	-	205,771
Total component units	<u>\$ 231,962</u>	<u>-</u>	<u>240,628</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business Type Activities	Total	Component Units
(4,203,812)	-	(4,203,812)	-
(1,446,115)	-	(1,446,115)	-
(621,309)	-	(621,309)	-
(6,271,236)	-	(6,271,236)	-
(277,766)	-	(277,766)	-
(747,816)	-	(747,816)	-
(1,087,938)	-	(1,087,938)	-
(1,452,750)	-	(1,452,750)	-
(697,140)	-	(697,140)	-
-	-	-	-
(4,263,410)	-	(4,263,410)	-
(283,548)	-	(283,548)	-
(1,066,899)	-	(1,066,899)	-
-	-	-	-
(1,350,447)	-	(1,350,447)	-
(11,885,093)	-	(11,885,093)	-
-	(8,937)	(8,937)	-
-	(5,708)	(5,708)	-
-	(14,645)	(14,645)	-
(11,885,093)	(14,645)	(11,899,738)	-
-	-	-	(74,893)
-	-	-	(823)
-	-	-	84,382
-	-	-	8,666

Exhibit B

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Totals from previous page</b>	<b>\$ 14,602,811</b>	<b>1,531,508</b>	<b>1,171,565</b>
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Gifts to Dallas Center-Grimes Community School District			
Total general revenues			
Other financing sources (uses)			
Contributed capital			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

See notes to financial statements.



Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business Type Activities	Total	Component Units
(11,885,093)	(14,645)	(11,899,738)	-
4,759,993	-	4,759,993	-
1,510,674	-	1,510,674	-
126,297	-	126,297	-
1,361,285	-	1,361,285	-
4,919,017	-	4,919,017	-
252,186	1,240	253,426	321
81,400	-	81,400	-
61,038	-	61,038	-
13,071,890	1,240	13,073,130	321
-	104,550	104,550	
1,186,797	91,145	1,277,942	8,987
10,137,760	251,738	10,389,498	91,414
\$ 11,324,557	342,883	11,667,440	100,401

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Assets and Other Debits</b>					
Cash and pooled investments					
Other	\$ 2,773,592	10,813	1,582,327	557,076	4,923,808
Bond reserve	-	-	490,000	-	490,000
Receivables:					
Property tax:					
Current year delinquent	32,159	10,870	-	3,217	46,246
Succeeding year	4,370,102	607,201	-	798,832	5,776,135
Accounts	4,594	-	4,859	1,318	10,771
Accrued Interest	4,624	-	3,037	10	7,671
Due from other governments	36,830	-	111,165	-	147,995
Deferred bond costs	-	-	895,000	-	895,000
<b>Total assets and other debits</b>	<b>\$ 7,221,901</b>	<b>628,884</b>	<b>3,086,388</b>	<b>1,360,453</b>	<b>12,297,626</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 73,535	-	212,567	493	286,595
Salaries and benefits payable	1,168,195	-	-	-	1,168,195
Early retirement payable (note 5)	-	-	-	46,335	46,335
Deferred revenue:					
Succeeding year property tax	4,370,102	607,201	-	798,832	5,776,135
<b>Total liabilities</b>	<b>5,611,832</b>	<b>607,201</b>	<b>212,567</b>	<b>845,660</b>	<b>7,277,260</b>
Fund balances:					
Reserved for:					
Debt service	-	21,683	-	-	21,683
Unreserved:					
Undesignated	1,610,069	-	2,873,821	514,793	4,998,683
<b>Total fund balances</b>	<b>1,610,069</b>	<b>21,683</b>	<b>2,873,821</b>	<b>514,793</b>	<b>5,020,366</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,221,901</b>	<b>628,884</b>	<b>3,086,388</b>	<b>1,360,453</b>	<b>12,297,626</b>

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2005

**Total fund balances of governmental funds (Exhibit C)** \$ 5,020,366

***Amounts reported for governmental activities in the  
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 28,859,742

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (91,231)

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (22,464,320)

**Net assets of governmental activities (Exhibit A)** \$ 11,324,557

See notes to financial statements.

## Exhibit E

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 4,440,763	1,510,674	1,361,285	445,527	7,758,249
Tuition	551,096	-	-	-	551,096
Other	309,197	2,791	215,016	326,780	853,784
Intermediate sources	9,160	-	-	-	9,160
State sources	5,758,622	449	-	123	5,759,194
Federal sources	190,888	-	-	-	190,888
Total revenues	11,259,726	1,513,914	1,576,301	772,430	15,122,371
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,779,285	-	-	57,313	4,836,598
Special instruction	1,726,074	-	-	-	1,726,074
Other instruction	520,774	-	-	312,897	833,671
	7,026,133	-	-	370,210	7,396,343
Support services:					
Student services	274,129	-	-	-	274,129
Instructional staff services	596,483	-	-	-	596,483
Administration services	996,449	-	-	-	996,449
Operation and maintenance of plant services	1,227,416	-	-	220,627	1,448,043
Transportation services	629,998	-	-	75,592	705,590
	3,724,475	-	-	296,219	4,020,694
Other expenditures:					
Facilities acquisition	-	-	4,021,941	78,559	4,100,500
Long-term debt:					
Principal	-	1,090,000	-	-	1,090,000
Interest and fiscal charges	-	1,115,523	-	-	1,115,523
AEA flowthrough	412,728	-	-	-	412,728
	412,728	2,205,523	4,021,941	78,559	6,718,751
Total expenditures	11,163,336	2,205,523	4,021,941	744,988	18,135,788
Excess (deficiency) of revenues over (under) expenditures	96,390	(691,609)	(2,445,640)	27,442	(3,013,417)
Other financing sources (uses):					
Bond proceeds	-	-	2,970,000	-	2,970,000
Refunding bond proceeds	-	-	10,090,000	-	10,090,000
Payment to refunded bond escrow agent	-	-	(9,195,000)	-	(9,195,000)
Interfund transfer	-	690,026	(690,026)	-	-
Total other financing sources	-	690,026	3,174,974	-	3,865,000
Net change in fund balances	96,390	(1,583)	729,334	27,442	851,583
Fund balances beginning of year	1,513,679	23,266	2,144,487	487,351	4,168,783
Fund balances end of year	\$ 1,610,069	21,683	2,873,821	514,793	5,020,366

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year ended June 30, 2005

**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 851,583**

***Amounts reported for governmental activities in the  
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 3,874,719	
Depreciation expense	<u>(787,512)</u>	3,087,207

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		1,090,000
---	--	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		48,624
--	--	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early retirement		(25,617)

Proceeds of long-term debt provide current financial resources to governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(3,865,000)</u>
---	--	--------------------

<b>Change in net assets of governmental activities (Exhibit B)</b>		<b><u><u>\$ 1,186,797</u></u></b>
--	--	-----------------------------------

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2005

	<u>Enterprise Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 77,958
Receivables:	
Accrued interest	62
Inventories	15,309
Capital assets, net of accumulated depreciation	<u>256,039</u>
<b>Total assets</b>	<u><u>349,368</u></u>
<b>Liabilities</b>	
Accounts payable	<u>6,485</u>
<b>Total liabilities</b>	<u><u>6,485</u></u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	256,039
Unrestricted	<u>86,844</u>
<b>Total net assets</b>	<u><u>\$ 342,883</u></u>

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year ended June 30, 2005

	<u>Enterprise Funds</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 519,435</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	63,930
Benefits	20,464
Purchased services	502,457
Supplies	35,065
Depreciation	<u>34,713</u>
	656,629
Farm rental operations:	
Supplies	<u>10,608</u>
Total operating expenses	<u>667,237</u>
Operating loss	<u>(147,802)</u>
Non-operating revenues:	
State sources	6,873
Federal sources	126,284
Local sources	<u>1,240</u>
Total non-operating revenues	<u>134,397</u>
Other financing sources:	
Contributed capital	<u>104,550</u>
Changes in net assets	91,145
Net assets beginning of year	<u>251,738</u>
Net assets end of year	<u><u>\$ 342,883</u></u>

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year ended June 30, 2005

	Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 514,110
Cash received from miscellaneous operating activities	5,325
Cash payments to employees for services	(84,394)
Cash payments to suppliers for goods or services	(549,906)
Net cash used by operating activities	<u>(114,865)</u>
Cash flows from non-capital financing activities:	
State grants received	6,873
Federal grants received	94,530
Net cash provided by non-capital financing activities	<u>101,403</u>
Cash flows from capital and related financing activities:	
Contributed capital	104,550
Acquisition of capital assets	(106,220)
Net cash used by capital and related financing activities	<u>(1,670)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,178</u>
Net decrease in cash and cash equivalents	(13,954)
Cash and cash equivalents at beginning of year	<u>91,912</u>
Cash and cash equivalents at end of year	<u><u>\$ 77,958</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (147,802)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	31,754
Depreciation	34,713
Decrease in inventories	2,440
(Decrease) in accounts payable	(35,970)
Net cash used by operating activities	<u><u>\$ (114,865)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:</b>	
Current assets:	
Cash and investments	\$ 77,958
Cash and cash equivalents at year end	<u><u>\$ 77,958</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received federal commodities valued at \$31,754.

See notes to financial statements.



DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 99,778	5,196
<b>Total assets</b>	99,778	5,196
<b>Liabilities</b>		
Accounts payable	-	5,196
<b>Total liabilities</b>	-	5,196
<b>Net assets</b>		
Reserved for scholarships	99,778	-
<b>Total net assets</b>	\$ 99,778	-

See notes to financial statements.

Exhibit K

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year ended June 30, 2005

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 15,338
Interest income	1,622
Total additions	<u>16,960</u>
Deductions:	
Support services:	
Scholarships awarded	<u>19,650</u>
Change in net assets	(2,690)
Net assets beginning of year	<u>102,468</u>
Net assets end of year	<u><u>\$ 99,778</u></u>

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - COMPONENT UNITS  
June 30, 2004

	Mustang Wrestling Club, Inc.	Dallas Center- Grimes K-8 PTO	Dallas Center- Grimes Friends of Fine Arts	Dallas Center- Grimes Athletic Booster Club	Total
<b>Assets</b>					
Cash and pooled investments	\$ 6,278	34,511	20,051	39,561	100,401
<b>Total assets</b>	6,278	34,511	20,051	39,561	100,401
<b>Net assets</b>					
Unrestricted	6,278	34,511	20,051	39,561	100,401
<b>Total net assets</b>	\$ 6,278	34,511	20,051	39,561	100,401

See notes to financial statements.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - COMPONENT UNITS  
June 30, 2005

	Mustang Wrestling Club, Inc.	Dallas Center- Grimes K-8 PTO	Dallas Center- Grimes Friends of Fine Arts	Dallas Center- Grimes Athletic Booster Club	Total
Operating revenues:					
Contributions	\$ 17,026	30	-	225	17,281
Membership dues	55	395	1,240	15,886	17,576
Fundraising	1,827	76,481	46,992	80,471	205,771
Total operating revenues	18,908	76,906	48,232	96,582	240,628
Operating expenses:					
Program expenses	20,850	11,419	37,653	39,828	109,750
Management and general expenses	86	616	66	55	823
Fundraising expenses	200	47,582	26,236	47,371	121,389
Total operating expenses	21,136	59,617	63,955	87,254	231,962
Operating income (loss)	(2,228)	17,289	(15,723)	9,328	8,666
Non-operating revenues (expenses):					
Interest income	1	211	-	109	321
Net non-operating revenues (expenses)	1	211	-	109	321
Changes in net assets	(2,227)	17,500	(15,723)	9,437	8,987
Net assets beginning of year	8,505	17,011	35,774	30,124	91,414
Net assets end of year	\$ 6,278	34,511	20,051	39,561	100,401

See notes to financial statements.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

### (1) Summary of Significant Accounting Policies

The Dallas Center-Grimes Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Dallas Center and Grimes, Iowa, and the predominate agricultural territory in Dallas County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Dallas Center-Grimes Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

These financial statements present Dallas Center-Grimes Community School District (the primary government) and its component units. The components units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

#### Discrete Component Units

Mustang Wrestling Club, Inc. is a legally separate not-for-profit entity. Mustang Wrestling Club, Inc. was established for the purpose of providing additional educational and recreational services for the benefit of Dallas Center-Grimes Community School District. Although the District does not control the timing or amount of receipts from Mustang Wrestling Club, Inc., the majority of the resources that are held are used for the benefit of Dallas Center-Grimes Community School District.

Dallas Center-Grimes PTO is a legally separate not-for-profit entity. Dallas Center-Grimes PTO was established for the purpose of providing additional educational and recreational services for the benefit of Dallas Center-Grimes Community School District. Although the District does not control the timing or amount of receipts from Dallas Center-Grimes PTO, the majority of the resources that are held are used for the benefit of Dallas Center-Grimes Community School District.

Dallas Center-Grimes Friends of Fine Arts is a legally separate not-for-profit entity. Dallas Center-Grimes Friends of Fine Arts was established for the purpose of providing additional educational opportunities for the students of Dallas Center-Grimes Community School District. Although the District does not control the timing or amount of receipts from the Dallas Center-Grimes Friends of Fine Arts, the majority of the resources that are held are used for the benefit of Dallas Center-Grimes Community School District.

## DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Dallas Center-Grimes Athletic Booster Club is a legally separate not-for-profit entity. Dallas Center-Grimes Athletic Booster Club was established for the purpose of maintaining and developing the athletic facilities and departments of Dallas Center-Grimes Community School District. Although the District does not control the timing or amount of receipts from the Dallas Center-Grimes Athletic Booster Club, the majority of the resources that are held are used for the benefit of Dallas Center-Grimes Community School District.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dallas County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds consist of two Enterprise funds: School Nutrition and School Farm Account. These funds are used to account for the food service operations and farm rental operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

### C. Measurement Focus and Basis of Accounting

The Government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

## DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.



# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instruction functional area exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

Diversified Portfolio	\$3,507,116
Direct Government Obligations Portfolio	-
Total	<u>\$3,507,116</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$690,026</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,452,000	10,000	-	1,462,000
Construction in progress	5,887,452	3,503,109	7,105,581	2,284,980
Total capital assets not being depreciated	<u>7,339,452</u>	<u>3,513,109</u>	<u>7,105,581</u>	<u>3,746,980</u>
Capital assets being depreciated:				
Buildings	21,045,970	7,105,581	600,000	27,551,551
Improvements other than buildings	679,375	-	-	679,375
Furniture and equipment	1,581,862	361,610	-	1,943,472
Total capital assets being depreciated	<u>23,307,207</u>	<u>7,467,191</u>	<u>600,000</u>	<u>30,174,398</u>
Less accumulated depreciation for:				
Buildings	3,417,514	589,520	600,000	3,407,034
Improvements other than buildings	353,614	25,846	-	379,460
Furniture and equipment	1,102,996	172,146	-	1,275,142
Total accumulated depreciation	<u>4,874,124</u>	<u>787,512</u>	<u>600,000</u>	<u>5,061,636</u>
Total capital assets being depreciated, net	<u>18,433,083</u>	<u>6,679,679</u>	<u>-</u>	<u>25,112,762</u>
Governmental activities capital assets, net	<u>\$ 25,772,535</u>	<u>10,192,788</u>	<u>7,105,581</u>	<u>28,859,742</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 317,313	106,220	77,654	345,879
Less accumulated depreciation	132,781	34,713	77,654	89,840
Business type activities capital assets, net	<u>\$ 184,532</u>	<u>71,507</u>	<u>-</u>	<u>256,039</u>
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				\$ 286,864
Special				70,004
Other				117,469
Support services:				
Student support				3,637
Instructional staff				151,333
Administration				91,489
Operation and maintenance of plant				4,707
Transportation				62,009
				<u>787,512</u>
Unallocated depreciation				-
Total governmental activities depreciation expense				<u>\$ 787,512</u>
Business type activities:				
Food services				<u>\$ 34,713</u>

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Refunded	Balance End of Year	Due Within One Year
General obligation bonds	\$ 16,090,000	13,060,000	575,000	9,195,000	19,380,000	930,000
Revenue bonds	3,535,000	-	515,000	-	3,020,000	545,000
Early retirement	61,434	71,773	22,552	-	110,655	46,335
Total	\$ 19,686,434	13,131,773	1,112,552	9,195,000	22,510,655	1,521,335

Early Retirement

The District offers a voluntary early retirement plan to its full-time, certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District, except for administrators who must have completed ten years. Employees must complete an application which is subject to approval by the Board of Education. The benefits are arrived at by taking the average salary over the last fifteen years times a percentage at the time of early retirement. The percentage starts at 25% at age 55 and decreases each year to 0% at age 65. Early retirement expenditures for the year ended June 30, 2005 totaled \$22,552.

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of November 1, 2002			Bond Issue of July 1, 2004		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2006	3.00	\$ 145,000	266,032	2.75	50,000	145,568
2007	3.00	155,000	261,282	3.00	45,000	144,192
2008	3.00	160,000	257,032	3.25	10,000	142,843
2009	3.00	200,000	252,232	3.50	10,000	142,517
2010	5.00	210,000	246,232	3.75	10,000	142,168
2011	5.00	230,000	235,732	4.10	10,000	141,792
2012	5.00	240,000	224,232	4.25	10,000	141,383
2013	4.00	250,000	212,232	4.25	10,000	140,957
2014	3.70	260,000	202,232	4.30	10,000	140,533
2015	3.85	275,000	192,612	4.30	10,000	140,102
2016	4.00	285,000	182,025	4.30	10,000	139,673
2017	4.10	305,000	170,625	4.40	10,000	139,242
2018	4.15	315,000	158,120	4.45	10,000	138,803
2019	4.25	325,000	145,047	4.50	10,000	138,357
2020	4.30	345,000	131,235	4.55	10,000	137,908
2021	4.40	1,275,000	116,400	4.65	10,000	137,452
2022	4.50	1,340,000	60,300	4.75	5,000	136,988
2023	-	-	-	5.00	1,335,000	136,750
2024	-	-	-	5.00	1,400,000	70,000
		<u>\$ 6,315,000</u>	<u>3,313,602</u>		<u>2,975,000</u>	<u>2,597,228</u>

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2005

Year ending June 30,	Bond Issue of April 1, 2005			Total		
	Interest Rate	Principal	Interest	Principal	Interest	Total
2006	2.38	\$ 735,000	351,169	930,000	762,769	1,692,769
2007	2.50	580,000	306,700	780,000	712,174	1,492,174
2008	2.60	590,000	292,200	760,000	692,075	1,452,075
2009	2.70	575,000	276,860	785,000	671,609	1,456,609
2010	2.90	590,000	261,335	810,000	649,735	1,459,735
2011	3.00	600,000	244,225	840,000	621,749	1,461,749
2012	3.10	620,000	226,225	870,000	591,840	1,461,840
2013	3.20	640,000	207,005	900,000	560,194	1,460,194
2014	3.30	665,000	186,525	935,000	529,290	1,464,290
2015	3.40	680,000	164,580	965,000	497,294	1,462,294
2016	3.50	700,000	141,460	995,000	463,158	1,458,158
2017	3.60	735,000	116,960	1,050,000	426,827	1,476,827
2018	3.70	765,000	90,500	1,090,000	387,423	1,477,423
2019	3.80	790,000	62,195	1,125,000	345,599	1,470,599
2020	3.90	825,000	32,175	1,180,000	301,318	1,481,318
2021	-	-	-	1,285,000	253,852	1,538,852
2022	-	-	-	1,345,000	197,288	1,542,288
2023	-	-	-	1,335,000	136,750	1,471,750
2024	-	-	-	1,400,000	70,000	1,470,000
		<u>\$ 10,090,000</u>	<u>2,960,114</u>	<u>19,380,000</u>	<u>8,870,944</u>	<u>28,250,944</u>

### Revenue Bonds Payable

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of November 1, 2000			
	Interest Rate	Principal	Interest	Total
2006	5.13	\$ 545,000	148,633	693,633
2007	5.13	575,000	120,701	695,701
2008	4.75	600,000	91,233	691,233
2009	4.80	635,000	62,733	697,733
2010	4.85	665,000	32,253	697,253
		<u>\$ 3,020,000</u>	<u>455,553</u>	<u>3,475,553</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) As a requirement of the bond issue, ten percent of the \$4,900,000 bond proceeds are to be held in a restricted account as required by the Security and Source Payments section of the agreement.

# DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Advance Refunding - During the current year, the District issued \$10,090,000 of refunding bonds to provide the resources to place in an escrow account for a current refunding of the District's bonds dated December 1, 1999 and an advance refunding on the District's bonds dated May 1, 2000. As a result, the advance refunded bonds are considered to be defeased and the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of June 30, 2005, \$8,480,000 of bonds considered defeased are still outstanding. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by \$720,521 and resulted in an economic gain of approximately \$225,000.

### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$389,961, \$360,323, and \$355,446, respectively, equal to the required contributions for each year.

### **(7) Risk Management**

Dallas Center-Grimes Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$412,728 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **(9) Construction Commitment**

The District has entered into various contracts totaling \$2,979,563 for the construction of a new high school auditorium and athletic facility. As of June 30, 2005, costs of \$2,284,980 had been incurred against the contracts. The balance of \$694,583 remaining at June 30, 2005 will be paid as work on the project progresses.

### **(10) Related Party Transaction**

The District had business transactions totaling \$44,331 between the District and District officials during the year ended June 30, 2005.

**DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT**



### **Required Supplementary Information**

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL  
FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2005

	Governmental Funds-Actual	Proprietary Funds-Actual
Receipts:		
Local sources	\$ 9,163,577	520,613
Intermediate sources	9,160	-
State sources	5,738,988	6,873
Federal sources	192,542	94,530
Total receipts	<u>15,104,267</u>	<u>622,016</u>
Disbursements:		
Instruction	7,483,943	-
Support services	4,020,694	-
Noninstructional programs	-	635,970
Other expenditures	6,718,751	-
Total disbursements	<u>18,223,388</u>	<u>635,970</u>
Excess (deficiency) of receipts over (under) disbursements	(3,119,121)	(13,954)
Other financing sources, net	<u>2,970,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(149,121)	(13,954)
Balance beginning of year	<u>5,072,929</u>	<u>91,912</u>
Balance end of year	<u><u>\$ 4,923,808</u></u>	<u><u>77,958</u></u>

See accompanying independent auditor's report.

Total Actual	Original Budget	Final Budget	Final to Actual Variance-Positive (Negative)
9,684,190	8,970,443	8,970,443	713,747
9,160	5,000	5,000	4,160
5,745,861	5,873,563	5,873,563	(127,702)
287,072	249,097	249,097	37,975
15,726,283	15,098,103	15,098,103	628,180
7,483,943	7,455,551	8,055,551	571,608
4,020,694	4,069,508	4,069,508	48,814
635,970	582,065	582,065	(53,905)
6,718,751	8,459,508	8,459,508	1,740,757
18,859,358	20,566,632	21,166,632	2,307,274
(3,133,075)	(5,468,529)	(6,068,529)	2,935,454
2,970,000	-	-	2,970,000
(163,075)	(5,468,529)	(6,068,529)	5,905,454
5,164,841	8,009,218	8,009,218	(2,844,377)
5,001,766	2,540,689	1,940,689	3,061,077

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$600,000.

During the year ended June 30, 2005, disbursements in the non-instructional function exceeded the amount budgeted.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2005

Governmental Funds			
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 15,104,267	18,104	15,122,371
Expenditures	18,223,388	(87,600)	18,135,788
Net	(3,119,121)	105,704	(3,013,417)
Other financing sources	2,970,000	895,000	3,865,000
Beginning fund balances	5,072,929	(904,146)	4,168,783
Ending fund balances	\$ 4,923,808	96,558	5,020,366

Proprietary Funds			
	Cash Basis	Enterprise Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 622,016	31,816	653,832
Expenses	635,970	31,267	667,237
Net	(13,954)	549	(13,405)
Other financing sources	-	104,550	104,550
Beginning net assets	91,912	159,826	251,738
Ending net assets	\$ 77,958	264,925	342,883

See accompanying independent auditor's report.

### **Other Supplementary Information**

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2005

	Management Levy	Student Activity	Physical Plant and Equipment Levy	67.5 cent Schoolhouse Levy	Total
<b>Assets</b>					
Cash and pooled investments	\$ 239,459	92,341	225,276	-	557,076
Receivables:					
Property tax:					
Current year delinquent	2,312	-	905	-	3,217
Succeeding year	664,898	-	133,934	-	798,832
Accounts	-	1,318	-	-	1,318
Accrued interest	3	-	7	-	10
<b>Total assets</b>	<b>\$ 906,672</b>	<b>93,659</b>	<b>360,122</b>	<b>-</b>	<b>1,360,453</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts Payable		493	-	-	493
Early retirement payable	\$ 46,335	-	-	-	46,335
Deferred revenue:					
Succeeding year property tax	664,898	-	133,934	-	798,832
Total liabilities	711,233	493	133,934	-	845,660
Fund equity:					
Unreserved, undesignated fund balance	195,439	93,166	226,188	-	514,793
<b>Total liabilities and fund equity</b>	<b>\$ 906,672</b>	<b>93,659</b>	<b>360,122</b>	<b>-</b>	<b>1,360,453</b>

See accompanying independent auditor's report.

## Schedule 2

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR SPECIAL REVENUE FUNDS  
 Year ended June 30, 2005

	Management Levy	Student Activity	Physical Plant and Equipment Levy	67.5 cent Schoolhouse Levy	Total
Revenues:					
Local sources:					
Local tax	\$ 319,230	-	126,297	-	445,527
Other	26	323,596	2,586	572	326,780
State sources	89	-	34	-	123
Total revenues	319,345	323,596	128,917	572	772,430
Expenditures:					
Current:					
Instruction:					
Regular instruction	57,313	-	-	-	57,313
Other instruction	-	312,897	-	-	312,897
Support Services:					
Operation and maintenance of plant services	220,627	-	-	-	220,627
Transportation services	17,825	-	57,767	-	75,592
Central support services	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	60,296	18,263	78,559
Total expenditures	295,765	312,897	118,063	18,263	744,988
Excess (deficiency) of revenues over (under) expenditures	23,580	10,699	10,854	(17,691)	27,442
Fund balance beginning of year	171,859	82,467	215,334	17,691	487,351
Fund balance end of year	\$ 195,439	93,166	226,188	-	514,793

See accompanying independent auditor's report.



DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Annuals	\$ 1,578	3,804	6,425	1,043	-
Art Club	-	267	235	30	62
Athletics	1,246	19,257	12,289	(2,413)	5,801
Athletics Resale	-	14,919	17,316	2,397	-
HS Band Fundraiser	7,537	68,445	74,102	-	1,880
HS Band Resale	81	7,557	7,638	-	-
Baseball	44	1,641	7,604	5,919	-
Boosters	-	27,310	27,310	-	-
Boys/Girls Basketball	1,246	11,157	11,605	-	798
Camps and Clinics	-	6,350	2,445	-	3,905
Class of:					
2004	268	-	-	(268)	-
2005	1,554	1,034	2,144	-	444
2006	1,160	3,027	2,478	-	1,709
2007	10	1,725	20	-	1,715
2008	220	2,085	-	-	2,305
2009	-	-	268	268	-
Co-ed Track	30	2,684	4,586	1,872	-
Cross Country	15	543	1,171	613	-
DC Memorial Bricks	-	1,198	-	-	1,198
DC Presbyt Student Emerg Fund	4,482	130	432	(82)	4,098
Debate	17	50	379	312	-
Debate League	203	350	500	(1)	52
Drama	1,881	657	2,714	176	-
Drill Team	318	-	-	1	319
Football	7,243	22,620	14,628	(11,680)	3,555
French Club	525	-	-	(30)	495
FFA	1,661	7,673	6,540	-	2,794
FHA	740	-	-	-	740
Girls Softball	22	6,146	7,296	1,128	-
Golf	46	11	1,184	1,127	-
HS Student Council	945	3,775	1,648	-	3,072
HS Honor Society	8	98	106	-	-
HS Cheerleading	664	4,871	2,605	1	2,931
HS Juice/Pop Machine	3,179	5,011	5,778	15	2,427
HS Sign-Monument Fundraiser	853	2,320	-	-	3,173
HS Vocal Fundraiser	50	-	-	-	50
HS Vocal Registration	88	2,256	2,344	-	-
Horticulture Club	400	406	74	-	732
Interest	897	2,170	1,448	-	1,619
Mid Iowa Soccer	19	10,896	10,677	-	238
Miscellaneous	-	183	183	-	-
Musical	5,346	3,366	834	(1,533)	6,345
P.A.L.S.	187	-	-	-	187
Picture Fund	2,943	11,242	8,863	-	5,322
SADD	57	10	-	1	68
Spanish Club	6,431	-	-	(1)	6,430
Volleyball	42	3,218	4,282	1,022	-

## Schedule 3

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance end of Year
Washington DC fundraiser	186	12,282	12,266	-	202
Wind Commissioning Project	1,000	-	-	-	1,000
Wrestling	397	3,747	3,475	-	669
Jr. High Annual	1,270	3,947	3,352	-	1,865
Jr. High Cheerleading	784	5,047	3,219	82	2,694
Jr. High Juice/Pop Machine	821	10,967	10,782	1	1,007
Jr. High Student Council	2,096	1,608	1,824	-	1,880
MS Athletics	1,962	-	149	-	1,813
MS Band Fundraiser	1,909	-	-	-	1,909
MS Band Resale	36	2,286	1,890	-	432
Elementary Band Resale	282	1,068	1,194	-	156
Elementary Vocal Resale	1	-	-	-	1
Spec underwriters Equip repair	88	366	446	-	8
Elementary Fundraiser - Grimes	6,691	677	6,153	(228)	987
Elementary Fundraiser - D.C.	3,246	8,077	7,880	228	3,671
Elementary Juice Fund	6,556	12,038	9,903	1	8,692
Elementary Student Council	906	1,024	213	(1)	1,716
Total	\$ 82,467	323,596	312,897	-	93,166

See accompanying independent auditor's report.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2005

	Enterprise Funds		
	School Nutrition	Farm Account	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 66,442	11,516	77,958
Receivables:			
Accrued interest	62	-	62
Inventories	15,309	-	15,309
Total current assets	81,813	11,516	93,329
Non-current assets:			
Machinery and equipment	345,879	-	345,879
Accumulated depreciation	(89,840)	-	(89,840)
Total non-current assets	256,039	-	256,039
<b>Total assets</b>	337,852	11,516	349,368
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	6,485	-	6,485
<b>Total current liabilities</b>	6,485	-	6,485
<b>Net assets</b>			
Invested in capital assets, net of related debt	256,039	-	256,039
Unrestricted	75,328	11,516	86,844
<b>Total net assets</b>	\$ 331,367	11,516	342,883

See accompanying independent auditor's report.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 NET ASSETS - PROPRIETARY FUNDS  
 Year ended June 30, 2005

	Enterprise Funds		
	School Nutrition	Farm Account	Total
Operating revenue:			
Local sources:			
Other local sources:			
Food service sales	\$ 514,110	-	514,110
Rentals	-	4,900	4,900
Other revenue	425	-	425
Total operating revenues	514,535	4,900	519,435
Operating expenses:			
Non-instructional programs:			
Food services operations:			
Salaries	63,930	-	63,930
Benefits	20,464	-	20,464
Services	502,457	-	502,457
Supplies	35,065	-	35,065
Depreciation	34,713	-	34,713
Farm rental operations:			
Supplies	-	10,608	
Total operating expenses	656,629	10,608	667,237
Operating loss	(142,094)	(5,708)	(147,802)
Non-operating revenue:			
Interest on investments	1,240	-	1,240
State lunch and breakfast program claims	6,873	-	6,873
National School Lunch Program	85,714	-	85,714
School Breakfast Program	8,816	-	8,816
Federal food commodities revenue	31,754	-	31,754
Total non-operating revenues	134,397	-	134,397
Net loss	(7,697)	(5,708)	(13,405)
Other financing sources:			
Contributed capital	104,550	-	104,550
Net assets beginning of year	234,514	17,224	251,738
Net assets end of year	\$ 331,367	11,516	342,883

See accompanying independent auditor's report.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year ended June 30, 2005

	Enterprise Funds		
	School Nutrition	Farm Account	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 514,110	-	514,110
Cash received from miscellaneous operating activities	425	4,900	5,325
Cash payments to employees for services	(84,394)	-	(84,394)
Cash payments to suppliers for goods or services	(539,298)	(10,608)	(549,906)
Net cash used by financing activities	(109,157)	(5,708)	(114,865)
Cash flows from non-capital financing activities:			
State grants received	6,873	-	6,873
Federal grants received	94,530	-	94,530
Net cash provided by non-capital financing activities	101,403	-	101,403
Cash flows from capital and related financing activities:			
Contributed capital	104,550	-	104,550
Acquisition of capital assets	(106,220)	-	(106,220)
Net cash used by capital and related financing activities	(1,670)	-	(1,670)
Cash flows from investing activities:			
Interest on investments	1,178	-	1,178
Net increase in cash and cash equivalents	(8,246)	(5,708)	(13,954)
Cash and cash equivalents at beginning of year	74,688	17,224	91,912
Cash and cash equivalents at end of year	\$ 66,442	11,516	77,958
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (142,094)	(5,708)	(147,802)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities received	31,754	-	31,754
Depreciation	34,713	-	34,713
Decrease in inventories	2,440	-	2,440
Decrease in payables	(35,970)	-	(35,970)
Net cash used by operating activities	\$ (109,157)	(5,708)	(114,865)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>			
Current assets:			
Cash and investments	\$ 66,442	11,516	77,958
Cash and cash equivalents at year end	\$ 66,442	11,516	77,958

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received federal commodities valued at \$31,754.

See accompanying independent auditor's report.

## Schedule 7

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 4,443	55,220	54,467	5,196
<b>Total assets</b>	<b>\$ 4,443</b>	<b>55,220</b>	<b>54,467</b>	<b>5,196</b>
<b>Liabilities</b>				
Accounts payable	\$ 4,443	55,220	54,467	5,196
<b>Total liabilities</b>	<b>\$ 4,443</b>	<b>55,220</b>	<b>54,467</b>	<b>5,196</b>

See accompanying independent auditor's report.

## Schedule 8

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 7,758,249	7,252,099	6,885,291	5,639,466
Tuition	551,096	495,100	391,003	314,990
Other	853,784	588,265	763,894	1,239,438
Intermediate sources	9,160	4,994	3,703	12,781
State sources	5,759,194	5,491,763	5,412,384	5,528,870
Federal sources	190,888	188,262	136,033	91,365
Total	<u>\$ 15,122,371</u>	<u>14,020,483</u>	<u>13,592,308</u>	<u>12,826,910</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 4,836,598	4,703,605	4,400,590	4,525,336
Special instruction	1,726,074	1,431,814	1,415,187	1,162,614
Other instruction	833,671	732,951	722,347	803,495
Support services:				
Student services	274,129	295,459	287,944	276,579
Instructional staff services	596,483	504,541	517,441	488,846
Administration services	996,449	888,813	912,383	872,157
Operation and maintenance of plant services	1,448,043	1,313,900	1,180,972	914,528
Transportation services	705,590	525,324	397,907	379,505
Central support services	-	6,484	17,002	-
Other expenditures:				
Facilities acquisition	4,100,500	5,399,710	2,516,067	6,942,125
Long-term debt:				
Principal	1,090,000	925,000	950,000	900,000
Interest and other charges	1,115,523	1,165,404	815,501	865,061
AEA flowthrough	412,728	405,946	419,009	409,628
Total	<u>\$ 18,135,788</u>	<u>18,298,951</u>	<u>14,552,350</u>	<u>18,539,874</u>

See accompanying independent auditor's report.

**Dallas Center-Grimes Community School District**





Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Dallas Center-Grimes Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Dallas Center-Grimes Community School District, Dallas Center-Grimes, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated September 13, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dallas Center-Grimes Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas Center-Grimes Community School District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Dallas Center-Grimes Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Van Maanen & Associates, P.C.  
Certified Public Accountants

September 13, 2005

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED June 30, 2005

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS**

II-A-05      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts and bank reconciliations were prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable since less than \$500,000 in federal awards.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED June 30, 2005

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-05     Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

IV-B-05     Certified Budget - Disbursements for the year ended June 30, 2005, exceeded the certified budget amount in the non-instruction functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa Before disbursements were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-C-05     Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05     Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-05     Business Transactions - Business transactions between between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Sinclair, Brother to Superintendent, Sinclair Painting	Painting Services	\$42,292
Lakes Printing, Parents of Elementary principal Ann Bass	Printing Services	783
McDonald, Brown, and Fagen Husband of elementary principal Marsha Fagen	Legal Services	1,256

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

DALLAS CENTER-GRIMES COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED June 30, 2005

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

- IV-F-05      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-G-05      Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
- IV-H-05      Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.
- IV-I-05      Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.
- IV-J-05      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.